

# Indian Hotels

Estimate change	↑
TP change	↑
Rating change	↔

**CMP: INR301**

**TP: INR410 (+36%)**

**Buy**

## ARR continues to inch higher

### Operating performance beats estimate on higher-than-expected ARR

- Indian Hotels (IH) reported the highest ever consolidated revenue/EBITDA in 3QFY23 (up 23%/40% v/s 3QFY20) fueled by strong 25% ARR growth (v/s 3QFY20) to INR15,456 while occupancy stood at 72% (down 120bp v/s 3QFY20). Management contract revenue surged 86% v/s 3QFY20 to INR1.2b.
- Occupancy (like-for-like) in the business remained 4pp above 3QFY20 levels to 77% in 3QFY23, while the same for Leisure/Palaces/Ginger was lower by 1pp/6pp/7pp to 65%/57%/61%, respectively.
- Factoring in the 3QFY23 performance, we raise our FY23/FY24/FY25 EBITDA estimates by 7%/6%/5%, respectively, aided by robust demand due to increase in inbound travel, India assuming the G20 presidency (meetings across India) and major events in the coming years such as the ICC ODI cricket World Cup. **Maintain BUY with an SoTP-based TP of INR410.**

### Robust demand drives earnings

- IH's consolidated revenue in 3QFY23 grew 52% YoY/37% QoQ to INR16.9b (est. INR15.8b). EBITDA jumped 86% YoY/2x QoQ to INR6b (est. INR5.4b). Adjusted PAT surged 4.6x/3.4x to INR3.8b (est. INR2.7b) in 3QFY23. IH witnessed an EBITDA flow through of 55% from 3QFY20 levels.
- Standalone revenue/EBITDA in 3QFY23 surpassed pre-Covid levels by 24%/38% to INR10.6b/INR4.4b (up 43%/68% YoY and 41%/2x QoQ), respectively, propelled by a strong ARR growth (up 25% v/s 3QFY20) to INR15,456 while occupancy was at 72% (down 120bp v/s 3QFY20). IH witnessed an EBITDA flow through of 59% from 3QFY20 levels.
- The subsidiary (consolidated less standalone) sales grew 69% YoY/29% QoQ to INR6.2b. Revenue from PIEM/Roots/ Benares jumped 23%/39%/34% YoY v/s 3QFY20 levels. Subsidiary EBITDA surged 2.6x YoY/95% QoQ to INR1.6b during the quarter.
- For 9MFY23, revenue/EBITDA soared 92%/5.2x YoY to INR41.8b/INR12.7b, respectively. Net cash stood at INR7.38b v/s net debt of INR19b in 9MFY22.

### Highlights from the management commentary

- The management expects FY24 domestic business to be healthy driven by large events such as G20 and ICC ODI World Cup cricket among others.
- International locations are also expected to perform better in 4QFY23. The management indicated that in FY24, occupancy of international business will touch or even exceed the pre-pandemic level.
- Sea Rock hotel update – IH received a formal letter from the Maharashtra Coastal Zone Management Authority (MCZMA). The company will apply for fresh applications to MOES and BMC as the next step in the process.

Bloomberg	IH IN
Equity Shares (m)	1420
M.Cap.(INRb)/(USDb)	427.5 / 5.2
52-Week Range (INR)	349 / 181
1, 6, 12 Rel. Per (%)	-3/11/38
12M Avg Val (INR M)	1831

### Financials & Valuations (INR b)

Y/E Mar	2023E	2024E	2025E
Sales	57.4	65.2	71.7
EBITDA	17.5	21.2	24.8
PAT	9.2	11.4	14.2
EBITDA (%)	30.5	32.6	34.6
EPS (INR)	6.5	8.0	10.0
EPS Gr. (%)	456.3	23.6	(24.0)
BV/Sh. (INR)	55.6	62.9	72.1

### Ratios

Net D/E	(0.1)	(0.2)	(0.3)
RoE (%)	12.4	13.6	14.8
RoCE (%)	11.2	13.8	15.1
Payout (%)	9.2	9.9	8.0

### Valuations

P/E (x)	46.2	37.4	30.2
EV/EBITDA (x)	24.2	19.5	16.1
Div Yield (%)	0.2	0.3	0.3
FCF Yield (%)	2.6	2.7	3.7

### Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	38.2	38.2	41.1
DII	26.7	29.3	25.3
FII	19.0	16.3	15.2
Others	16.1	16.2	18.5

FII Includes depository receipts

## Valuation and view

- We expect the strong momentum to continue in FY23-25, led by: a) a further improvement in ARR and occupancy due to favorable demand-supply dynamics; b) higher income from management contracts; and c) unlocking value by launching the reimagined and new brands.
- Factoring in the 3QFY23 performance, we raise our FY23/FY24/FY25 EBITDA estimates by 7%/6%/5%, respectively, aided by robust demand due to the wedding season, increase in inbound travel, India assuming the G20 presidency (meetings across India) and major events in the coming years. **Maintain BUY with an SoTP-based TP of INR410.**

## Consolidated - Quarterly earnings model

(INR m)

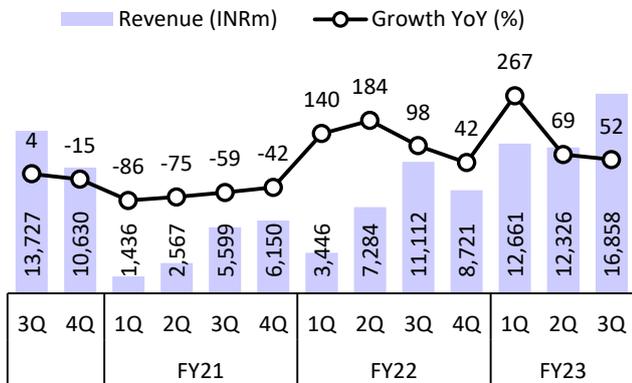
Y/E March	FY22				FY23				FY22	FY23E	FY23E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Gross Sales</b>	<b>3,446</b>	<b>7,284</b>	<b>11,112</b>	<b>8,721</b>	<b>12,661</b>	<b>12,326</b>	<b>16,858</b>	<b>15,523</b>	<b>30,562</b>	<b>57,368</b>	<b>15,802</b>	<b>7</b>
YoY Change (%)	139.9	183.8	98.5	41.8	267.5	69.2	51.7	78.0	94.0	87.7	42.2	
Total Expenditure	4,934	6,555	7,895	7,131	8,882	9,386	10,886	10,704	26,515	39,858	10,407	
<b>EBITDA</b>	<b>-1,488</b>	<b>728</b>	<b>3,218</b>	<b>1,590</b>	<b>3,779</b>	<b>2,940</b>	<b>5,972</b>	<b>4,819</b>	<b>4,048</b>	<b>17,510</b>	<b>5,395</b>	<b>11</b>
Margins (%)	-43.2	10.0	29.0	18.2	29.8	23.9	35.4	31.0	13.2	30.5	34.1	
Depreciation	1,025	1,018	999	1,019	1,026	1,026	1,033	1,050	4,061	4,135	1,050	
Interest	1,097	1,139	1,249	792	624	600	567	580	4,277	2,371	600	
Other Income	258	239	227	828	271	250	577	400	1,552	1,498	300	
<b>PBT before EO expense</b>	<b>-3,354</b>	<b>-1,189</b>	<b>1,197</b>	<b>607</b>	<b>2,401</b>	<b>1,564</b>	<b>4,949</b>	<b>3,589</b>	<b>-2,738</b>	<b>12,502</b>	<b>4,045</b>	
Extra-Ord expense	-203	108	102	-164	91	-123	-1	0	-156	-33	0	
<b>PBT</b>	<b>-3,150</b>	<b>-1,297</b>	<b>1,095</b>	<b>771</b>	<b>2,309</b>	<b>1,687</b>	<b>4,950</b>	<b>3,589</b>	<b>-2,582</b>	<b>12,535</b>	<b>4,045</b>	
Tax	-450	-113	232	-26	648	443	1,161	1,005	-358	3,257	1,213	
Rate (%)	14.3	8.7	21.2	-3.4	28.1	26.3	23.4	28.0	13.9	26.0	30.0	
MI & Profit/Loss of Asso. Cos.	73	22	103	55	-39	28	-38	58	253	9	108	
<b>Reported PAT</b>	<b>-2,773</b>	<b>-1,206</b>	<b>760</b>	<b>742</b>	<b>1,701</b>	<b>1,216</b>	<b>3,827</b>	<b>2,526</b>	<b>-2,477</b>	<b>9,269</b>	<b>2,723</b>	
<b>Adj PAT</b>	<b>-2,926</b>	<b>-1,125</b>	<b>837</b>	<b>619</b>	<b>1,769</b>	<b>1,123</b>	<b>3,826</b>	<b>2,526</b>	<b>-2,594</b>	<b>9,244</b>	<b>2,723</b>	<b>41</b>
YoY Change (%)	-15.1	-54.2	NA	NA	NA	NA	357.2	307.9	NA	NA	225.4	
Margins (%)	-84.9	-15.4	7.5	7.1	14.0	9.1	22.7	16.3	-8.5	16.1	17.2	

## Key performance indicators

Y/E March	FY22				FY23				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue Growth (%)										
Standalone	117.8	179.3	81.3	27.9	267.0	62.6	43.3	72.6	76.8	79.6
Subs	183.5	191.8	145.1	84.4	268.1	80.7	68.6	89.4	138.2	103.2
EBITDA Margin (%)										
Standalone	(46.5)	13.1	35.2	27.5	34.2	28.4	41.4	39.9	19.4	36.7
Subs	(38.1)	4.6	16.4	(1.6)	9.6	30.7	42.5	16.9	1.6	20.1
<b>Cost Break-up</b>										
F&B Cost (% of sales)	8.1	8.6	8.8	7.9	8.2	8.4	8.3	8.5	<b>8.4</b>	<b>8.4</b>
Staff Cost (% of sales)	72.2	38.3	28.1	35.6	28.4	30.5	25.2	27.1	<b>37.6</b>	<b>27.5</b>
Other Cost (% of sales)	62.9	43.1	34.2	38.3	33.5	37.3	31.1	33.4	<b>40.7</b>	<b>33.6</b>
Gross Margins (%)	91.9	91.4	91.2	92.1	91.8	91.6	91.7	91.5	<b>91.6</b>	<b>91.6</b>
EBITDA Margins (%)	-43.2	10.0	29.0	18.2	29.8	23.9	35.4	31.0	<b>13.2</b>	<b>30.5</b>
EBIT Margins (%)	-73.0	-4.0	20.0	6.5	21.7	15.5	29.3	24.3	<b>0.0</b>	<b>23.3</b>

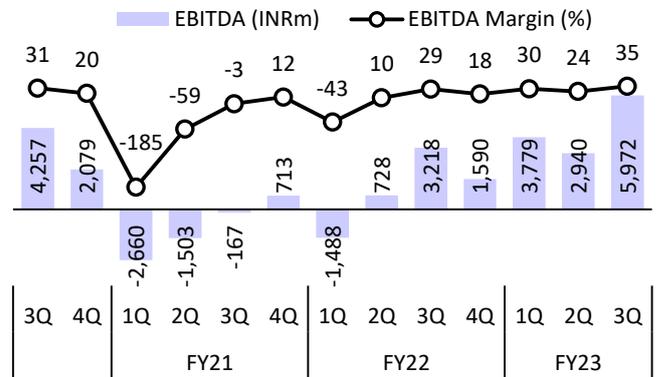
Key exhibits

Exhibit 1: Consolidated revenue trend



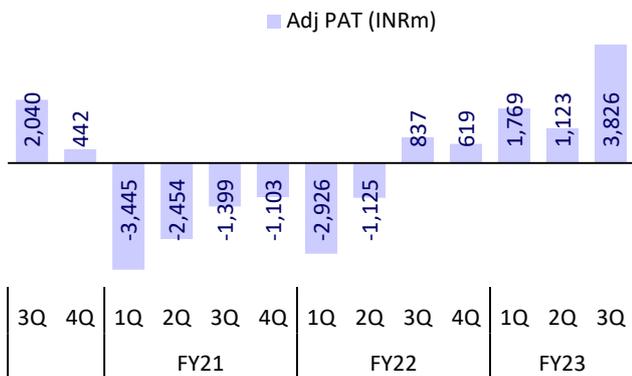
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



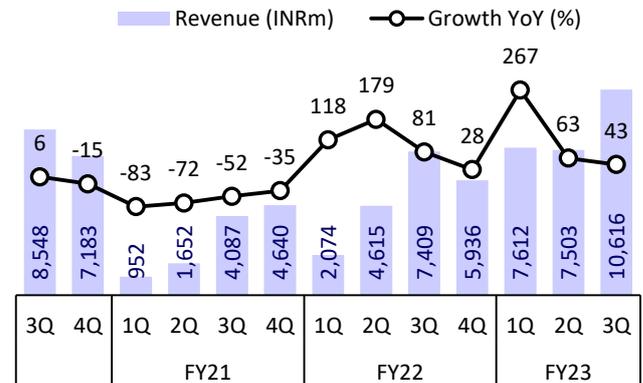
Source: Company, MOFSL

Exhibit 3: Consolidated adjusted PAT trend



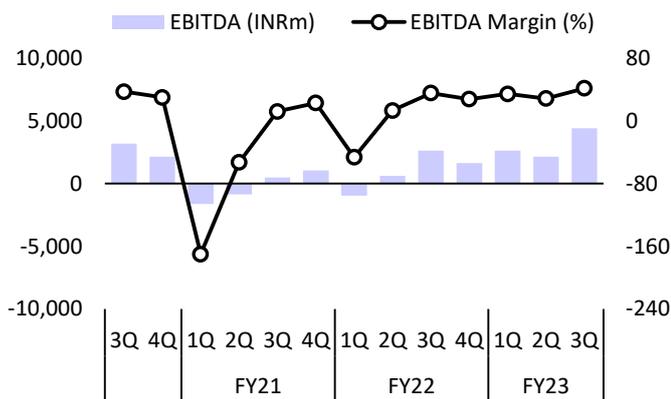
Source: Company, MOFSL

Exhibit 4: Standalone revenue trend



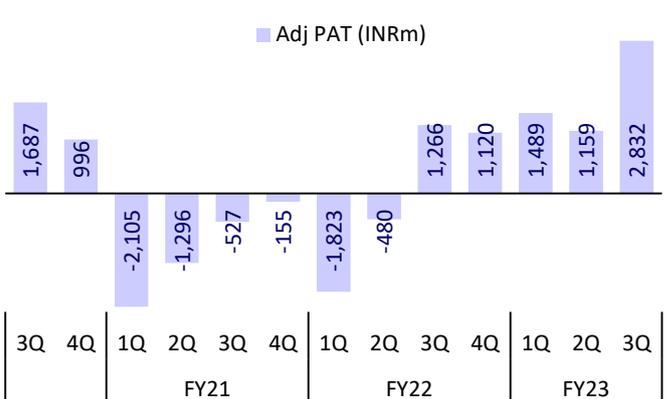
Source: Company, MOFSL

Exhibit 5: Standalone EBITDA trend



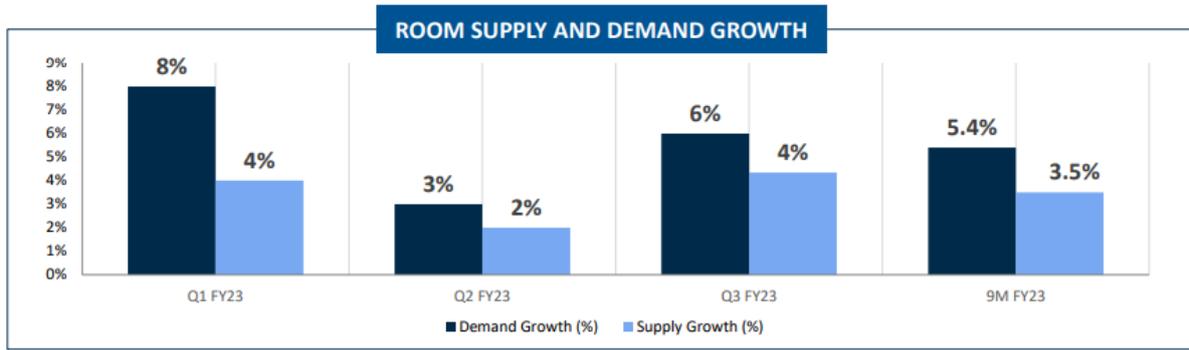
Source: Company, MOFSL

Exhibit 6: Standalone adjusted PAT trend



Source: Company, MOFSL

Exhibit 7: Growth in demand outpaces supply



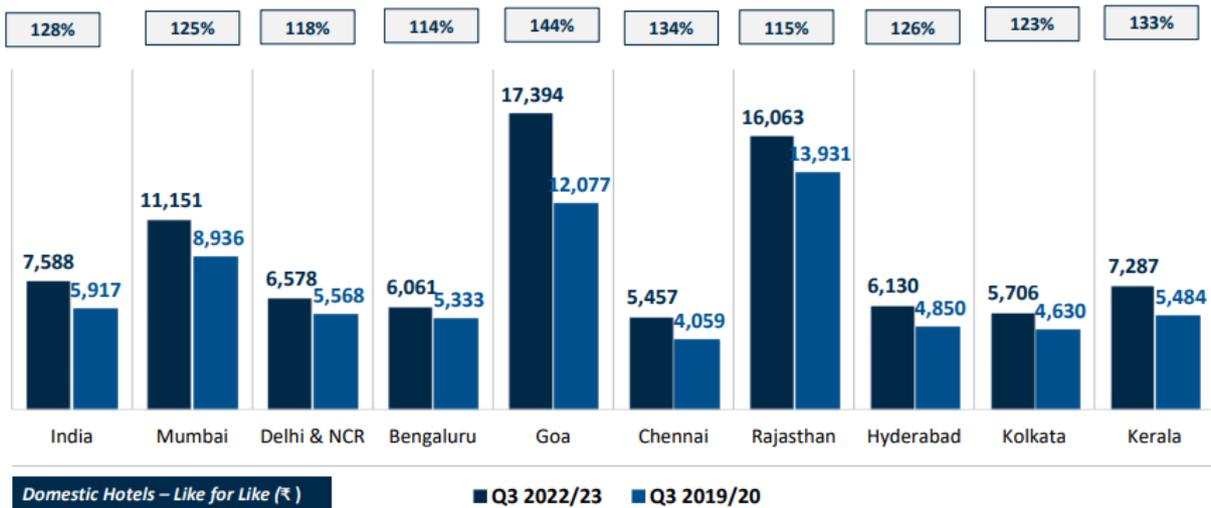
HOTEL DEMAND GREW BY **5.4%** (vs. FY20) IN 9M-FY23, GROWTH IN ALL KEY MARKETS



ROOMS SUPPLY GREW BY **3.5%** (vs. FY20) IN 9M-FY23, SUPPLY GROWTH TO REMAIN TEPID

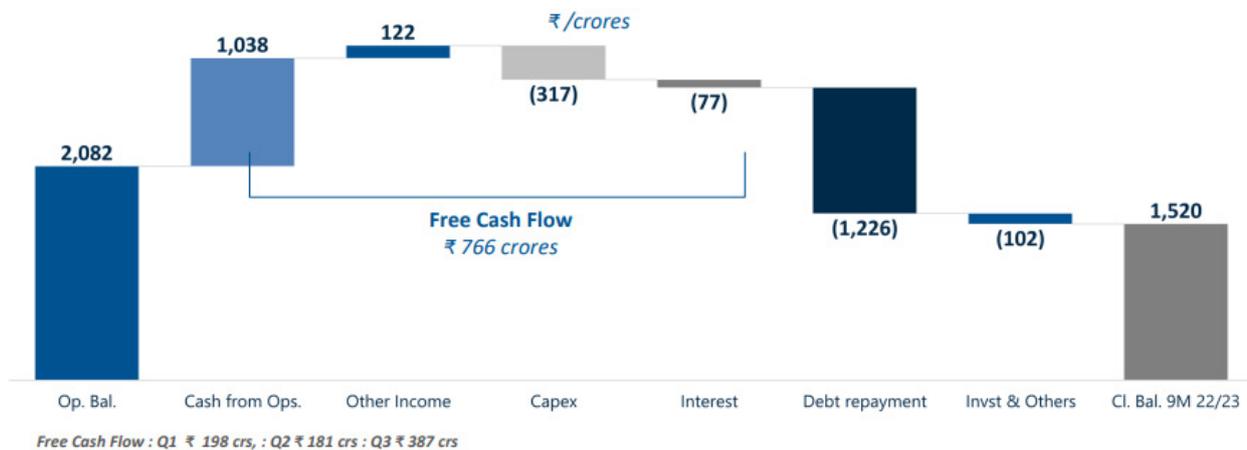
Source: STR, Company, MOFSL

Exhibit 8: Industry-leading recovery across key markets



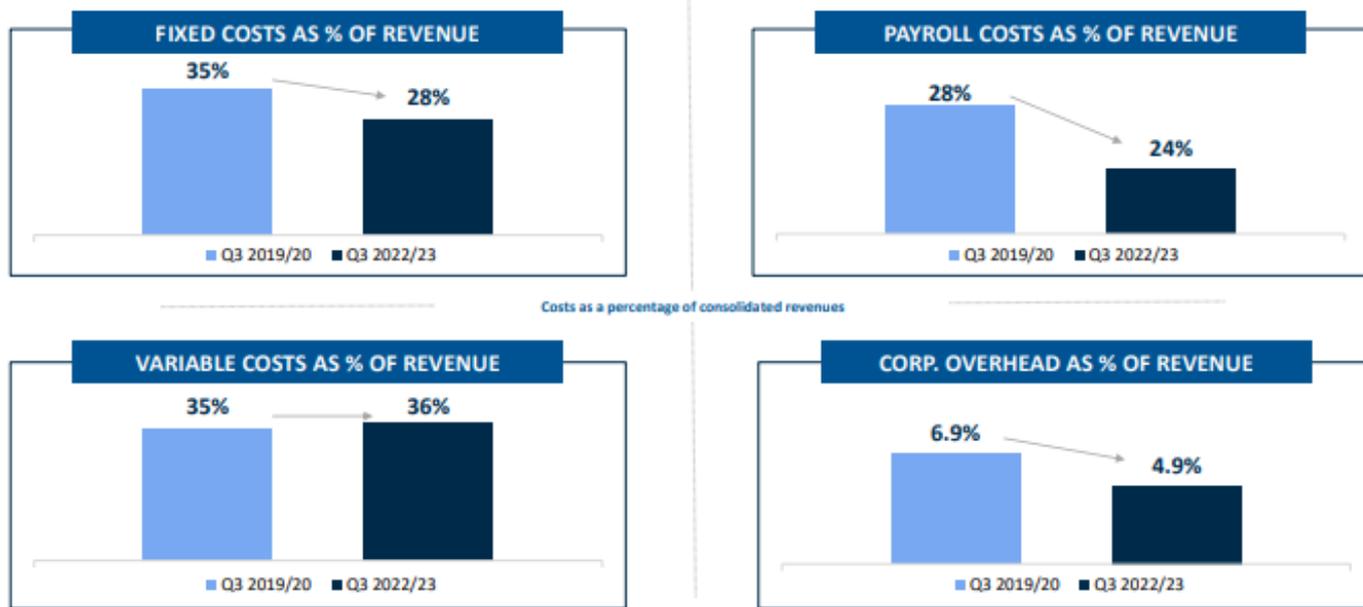
Source: STR Global, Company, MOFSL

Exhibit 9: Movement of free cash flow



Source: Company, MOFSL

Exhibit 10: Focus on cost management drives margin expansion



Source: Company, MOFSL

Exhibit 11: Domestic hotels RevPAR and recovery v/s pre-Covid – By category – Like-For-Like (LFL)

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q3 2022	Q3 2019	%	Q3 2022	Q3 2019	%	Q3 2022	Q2 2019	%
Business	77%	73%	105%	9,777	8,354	117%	7,560	6,138	123%
Leisure	65%	66%	99%	16,818	11,659	144%	10,934	7,638	143%
Palaces	57%	61%	94%	46,522	38,041	122%	26,608	23,169	115%
Ginger	61%	66%	93%	3,186	2,411	132%	1,959	1,596	123%
<b>Total Domestic</b>	<b>71%</b>	<b>70%</b>	<b>101%</b>	<b>10,737</b>	<b>8,471</b>	<b>127%</b>	<b>7,588</b>	<b>5,917</b>	<b>128%</b>

Source: Company, MOFSL

**Exhibit 12: RevPAR recovery by domestic destination v/s pre-Covid – LFL**

Domestic Hotels - LFL	Occ %			ARR in ₹			RevPAR in ₹		
	Q3 2022	Q3 2019	Recovery%	Q3 2022	Q3 2019	Recovery%	Q3 2022	Q3 2019	Recovery%
Mumbai	84%	81%	104%	13,334	11,068	120%	11,151	8,936	125%
Delhi & NCR	76%	79%	95%	8,702	7,027	124%	6,578	5,568	118%
Bengaluru	66%	66%	101%	9,143	8,087	113%	6,061	5,333	114%
Goa	80%	83%	96%	21,730	14,553	149%	17,394	12,077	144%
Chennai	72%	67%	108%	7,557	6,085	124%	5,457	4,059	134%
Rajasthan	59%	63%	93%	27,193	22,038	123%	16,063	13,931	115%
Hyderabad	74%	70%	105%	8,285	6,915	120%	6,130	4,850	126%
Kolkata	75%	65%	116%	7,575	7,150	106%	5,706	4,630	123%
Kerala	70%	71%	99%	10,430	7,772	134%	7,287	5,484	133%
<b>Grand Total</b>	<b>71%</b>	<b>70%</b>	<b>101%</b>	<b>10,737</b>	<b>8,471</b>	<b>127%</b>	<b>7,588</b>	<b>5,917</b>	<b>128%</b>

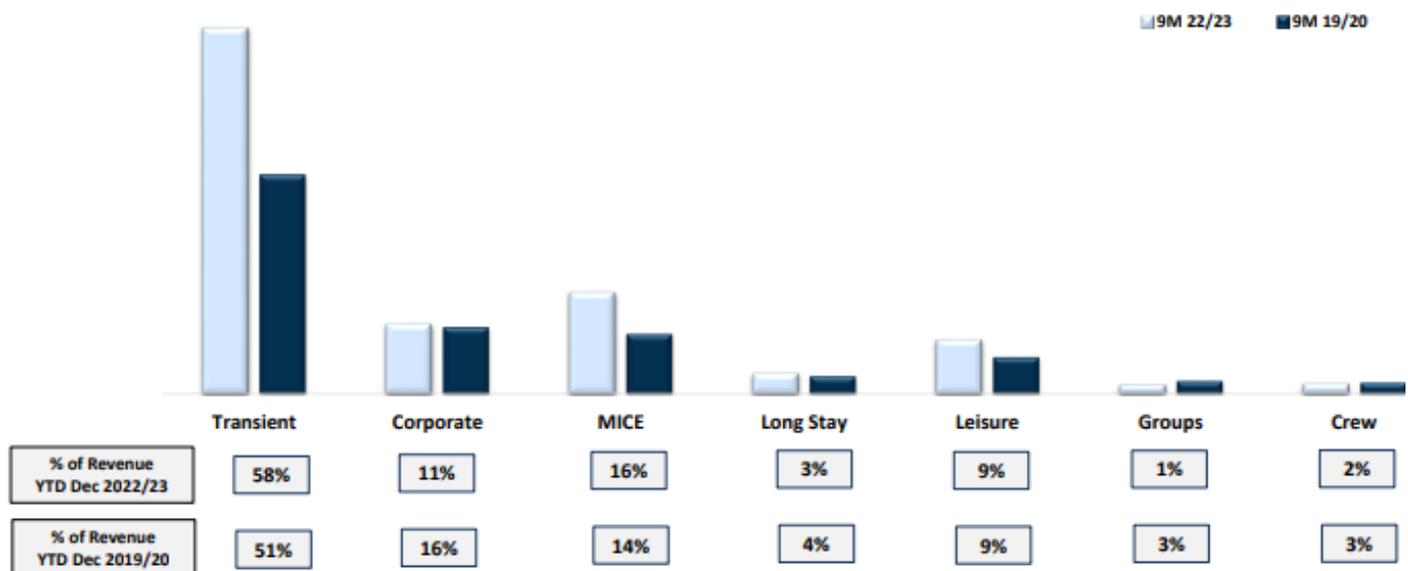
Source: Company, MOFSL

**Exhibit 13: RevPAR recovery by international destination v/s pre-Covid – LFL**

International Hotels - LFL	Occ %			ARR in \$			RevPAR in \$		
	Q3 2022	Q3 2019	Recovery %	Q3 2022	Q3 2019	Recovery %	Q3 2022	Q3 2019	Recovery %
USA	67%	83%	80%	758	603	126%	505	499	101%
UK	71%	84%	85%	401	330	121%	286	277	103%
Maldives	71%	66%	107%	662	559	118%	467	370	126%
Dubai	86%	89%	96%	293	209	140%	251	186	135%
Cape Town	72%	81%	89%	151	164	92%	109	133	82%
Others	41%	56%	73%	81	99	82%	33	55	60%
<b>Total</b>	<b>60%</b>	<b>71%</b>	<b>84%</b>	<b>335</b>	<b>273</b>	<b>123%</b>	<b>200</b>	<b>194</b>	<b>103%</b>

Source: Company, MOFSL

Exhibit 14: Market segment – Room revenue (all hotels): 9MFY23 v/s 9MFY20



Source: Company, MOFSL

Exhibit 15: IH – standalone revenue metrics

Particulars	3QFY20	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	v/s 3QFY20 %	YoY %	QoQ %
Occupancy (%)	73	66.6	58.4	70.4	70	72	-120bp	550bp	210bp
ARR (INR)	12,336	11,348	10,569	11,397	11,003	15,456	25	36	40
RevPAR (INR)	9,037	7,559	6,176	8,021	7,681	11,137	23	47	45
Room revenue (INR m)	3,590	3,110	2,500	3,250	3,180	4,520	26	45	42
F&B revenue (INR m)	3,410	2,840	2,000	2,810	2,840	4,000	17	41	41
Other revenue (INR m)	1,900	1,760	2,250	1,810	1,730	2,320	22	32	34
Total revenue (INR m)	8,900	7,710	6,750	7,870	7,750	10,840	22	41	40

Source: Company, MOFSL

Exhibit 16: Revenue metrics for its domestic network

Particulars	3QFY20	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	v/s 2QFY20 %	YoY %	QoQ %
Occupancy (%)	68.5	62.7	54.5	65.2	62	68	-50bp	530bp	600bp
ARR (INR)	8,149	8,089	7,671	8,315	9,952	10,565	30	31	6
RevPAR (INR)	5,580	5,070	4,183	5,424	5,942	7,184	29	42	21
Room revenue (INR m)	7,880	7,930	6,520	8,590	11,220	11,870	51	50	6
F&B revenue (INR m)	7,520	7,090	5,640	7,570	8,970	10,240	36	44	14
Other revenue (INR m)	2,660	2,430	3,000	2,650	3,260	3,810	43	57	17
Total revenue (INR m)	18,060	17,450	15,160	18,810	23,450	25,920	44	49	11

Source: Company, MOFSL



## Highlights from the management interaction

### Operating performance

- RevPAR growth in Mumbai/Bengaluru/Goa/Delhi & NCR stood at 25%/14%/44%/18% in 3QFY23 v/s 3QFY20, respectively.
- IH witnessed growth in domestic business with ARR/Occupancy/RevPAR of 27%/1%/28% over pre-Covid levels (3QFY20), respectively.
- Occupancy (LFL) in the business remained 4pp above 3QFY20 levels to 77% in 3QFY23, while the same for Leisure/Palaces/Ginger was lower by 1pp/6pp/7pp to 65%/57%/61%, respectively.
- International entities turned profitable in 3QFY23 with strong RevPAR growth.
- Fixed cost/Corporate overheads as a percentage of revenue have decreased to 28.0%/4.9% in 3QFY23 from 35.0%/6.9% in 3QFY20.

- Key domestic subsidiaries such as Piem/Roots/Benares witnessed revenue growth of ~23%/39%/34% and EBITDA growth of ~60%/82%/41%, respectively over the pre-Covid levels.
- IH generated free cash flows of ~INR7.7b during 9MFY23.
- Management is witnessing green shoots of recovery in international travel. MICE segment is doing well for the company.

### International business

- RevPAR in the UK/US/Maldives/Dubai stood at ~101%/103%/126%/135% of pre-Covid levels, respectively.
- Key international subsidiaries such as UOH Inc USA/St James Court, London witnessed revenue growth of ~1%/21% and EBITDA growth of ~31%/6% over pre-Covid levels, respectively.

### Outlook

- As per the Chairman of HVS Anarock, the industry is in the beginning of a five-year growth story, which will compensate for the muted growth over the last 15 years
- The management expects FY24 domestic business to be healthy driven by large events such as G20 and ICC ODI World Cup cricket among others
- International locations are also expected to perform better in 4QFY23. The management indicated that the international locations will touch or even exceed the pre-pandemic level in FY24.
- IH is expecting to open ~17-18 new hotels in FY23, while it is targeting to open ~40+ hotels in the next two and half years.

### Employee expenses and attrition

- The employee expenses incurred for 3QFY22 was ~INR4.24b v/s ~INR3.9b in 3QFY20.
- Payroll cost as a percentage of revenue has decreased to 24% in 3QFY23 from 28% in 3QFY20
- IH has rationalized its manpower on the back of redeployment of over 554 associates and reimaging way of working with multi-skilling, cluster approach and shared services.

### Partnership with group companies

- IH's collaboration with Tata Neu is going well. Ginger hotels went live on Tata Neu in Jan'23.
- Loyalty-led revenue for 9MFY23 stood at ~INR15b
- Airline partnership is also developing well with topline of ~INR4.4b in Taj Stats in 9MFY23

### Others highlights

- Sea Rock hotel update – IH received a formal letter from the Maharashtra Coastal Zone Management Authority (MCZMA). The company will apply for fresh applications to MOES and BMC as the next step in the process.
- While the Leisure ARR has reached ~INR17,000, the ARR in business segment is still at ~INR9,777, i.e., ~USD120. This is still lower than other countries; indicating a huge headroom for growth in room rent.

- The company has a strong pipeline of 67 hotels with 8,854 rooms.
- Managed share of portfolio is expected to be ~48% by FY23 v/s ~39% in FY20.
- Management fees for 9MFY23 stood at ~INR2.8b v/s INR2.3b for full-year FY22.
- Chambers revenue for 9MFY23 stood over INR700m (up 49% over pre-Covid levels) with ~80% flow through rate. Chambers added over 150 members in 9MFY23. Chambers in Bengaluru is expected to be launched soon.
- IH has already started nine Qmin restaurants in Ginger hotels in 9MFY23, while it is expecting to add nine more in 4QFY23
- IH has already hosted seven events for G20 as of now in various locations such as Taj Lake Palace, Taj Fateh Prakash Palace, The Taj Mahal Palace - Mumbai, Taj Lands End - Mumbai and Taj Exotica Resort & Spa, Andaman among others.
- Room revenue from HRO/TRW/GDS/ADS/Taj Website stood at ~51%/7%/5%/24%/13% of the total room revenue in 3QFY23 v/s 50%/14%/8%/20%/8% in 3QFY20, respectively
- Room revenue from Transient/Corporate/MICE/Long Stay/Leisure/Groups/Crew stood at ~57%/11%/17%/3%/9%/2%/1% of the total room revenue in 3QFY23 v/s 49%/16%/16%/3%/9%/5%/2% in 3QFY20, respectively
- Occupancy in Sri Lanka has reached ~50% and accordingly it is not burning cash anymore.
- The company has restructured its corporate rates to variable (dynamic pricing) rates v/s earlier system of fixed rates.
- Ginger Santacruz timeline – management expects to open it by Jun/Jul'23
- IH is exploring some properties in areas such as Mumbai, Alibaug and Southern markets for acquisition. It is also focusing on the North East market by leveraging synergies with the Tata group i.e. opening of Ama (homestays) in tea estates.

## Valuation and view

- The new and re-imagined businesses are expected to provide incremental boost to IH's growth trajectory with their margin- and ROCE-accretive business models. Overall, the new and re-imagined business revenue is likely to register a CAGR of 50% over FY22-25E.
- Further, we expect the strong momentum to continue in FY23-25, led by: a) a further improvement in ARR and occupancy due to favorable demand-supply dynamics; b) higher income from management contracts; and c) unlocking value by launching the reimagined and new brands.
- We expect a Revenue/EBITDA CAGR of 33%/83% over FY22-25, respectively.
- Factoring in the 3QFY23 performance, we raise our FY23/FY24/FY25 EBITDA estimates by 7%/6%/5%, respectively, aided by robust demand due to the wedding season, increase in inbound travel, India assuming the G20 presidency (meetings across India) and major events in the coming years. **Maintain BUY with an SoTP-based TP of INR410.**

**Exhibit 17: Valuation methodology**

Particulars	Methodology	Metrics	FY25	Multiple (x)	Value (INR m)	Value/ share (INR)
<b>IHCL- ex JV/ Associate</b>						
EV	EV/EBITDA (x)	EBITDA	24,788	22	5,46,573	385
Less: Net Debt					35,362	25
Less: Minority Interest					-5,930	-4
Sub Total					5,76,005	406
<b>JV/Associate</b>						
Taj GVK (IHCL's share - 25.5%) - JV	20% discount to Mcap	Attributable Mcap	3,021	0.8	2,417	1.7
Oriental Hotel (IHCL's share - 35.7%) - Associate	20% discount to Mcap	Attributable Mcap	4,323	0.8	3,458	2.4
<b>Sub Total</b>					<b>5,875</b>	<b>4.1</b>
<b>Target Price</b>					<b>5,81,881</b>	<b>410</b>

Source: MOFSL

**Exhibit 18: Changes to our estimates**

Earnings Change (INR m)	Old			New			Change		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	55,134	62,117	68,327	57,368	65,199	71,698	4%	5%	5%
EBITDA	16,433	20,020	23,560	17,510	21,230	24,788	7%	6%	5%
Adj. PAT	7,679	10,370	13,091	9,244	11,430	14,175	20%	10%	8%

Source: MOFSL

## Financials and valuations

### Consolidated - Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Total Income from Operations</b>	<b>40,206</b>	<b>41,036</b>	<b>45,120</b>	<b>44,631</b>	<b>15,752</b>	<b>30,562</b>	<b>57,368</b>	<b>65,199</b>	<b>71,698</b>
Change (%)	-0.1	2.1	10.0	-1.1	-64.7	94.0	87.7	13.7	10.0
Food and beverages consumed	3,640	3,764	4,041	3,706	1,438	2,572	4,793	5,412	5,736
Employees Cost	13,647	13,466	14,708	14,946	8,940	11,502	15,804	16,718	18,146
Power & Fuel Cost	2,586	2,591	2,736	2,699	1,729	2,250	3,442	3,782	4,015
Licence Fees	2,502	2,544	2,758	1,459	756	1,681	3,442	3,716	3,943
Other Expenses	11,736	11,967	12,580	12,147	6,506	8,509	12,377	14,342	15,070
<b>Total Expenditure</b>	<b>34,110</b>	<b>34,332</b>	<b>36,823</b>	<b>34,956</b>	<b>19,369</b>	<b>26,515</b>	<b>39,858</b>	<b>43,969</b>	<b>46,910</b>
% of Sales	84.8	83.7	81.6	78.3	123.0	86.8	69.5	67.4	65.4
<b>EBITDA</b>	<b>6,096</b>	<b>6,704</b>	<b>8,297</b>	<b>9,675</b>	<b>-3,618</b>	<b>4,048</b>	<b>17,510</b>	<b>21,230</b>	<b>24,788</b>
Margin (%)	15.2	16.3	18.4	21.7	-23.0	13.2	30.5	32.6	34.6
Depreciation	2,994	3,012	3,279	4,042	4,096	4,061	4,135	4,434	4,584
<b>EBIT</b>	<b>3,102</b>	<b>3,692</b>	<b>5,019</b>	<b>5,633</b>	<b>-7,714</b>	<b>-13</b>	<b>13,375</b>	<b>16,797</b>	<b>20,204</b>
Int. and Finance Charges	3,238	2,690	1,901	3,411	4,028	4,277	2,371	2,019	1,659
Other Income	549	617	834	1,324	1,647	1,552	1,498	1,565	1,721
<b>PBT bef. EO Exp.</b>	<b>413</b>	<b>1,618</b>	<b>3,951</b>	<b>3,546</b>	<b>-10,095</b>	<b>-2,738</b>	<b>12,502</b>	<b>16,343</b>	<b>20,265</b>
EO Items	-108	225	66	410	1,600	156	33	0	0
<b>PBT after EO Exp.</b>	<b>306</b>	<b>1,843</b>	<b>4,017</b>	<b>3,955</b>	<b>-8,495</b>	<b>-2,582</b>	<b>12,535</b>	<b>16,343</b>	<b>20,265</b>
Total Tax	1,137	1,211	1,571	448	-1,553	-358	3,257	4,903	6,080
Tax Rate (%)	372.2	65.7	39.1	11.3	18.3	13.9	26.0	30.0	30.0
Minority Interest	-200	-376	-422	-37	259	253	9	10	11
<b>Reported PAT</b>	<b>-632</b>	<b>1,009</b>	<b>2,868</b>	<b>3,544</b>	<b>-7,201</b>	<b>-2,477</b>	<b>9,269</b>	<b>11,430</b>	<b>14,175</b>
<b>Adjusted PAT</b>	<b>-551</b>	<b>840</b>	<b>2,819</b>	<b>3,237</b>	<b>-8,401</b>	<b>-2,594</b>	<b>9,244</b>	<b>11,430</b>	<b>14,175</b>
Change (%)	NA	NA	235.4	14.8	-359.5	-69.1	-456.3	23.6	24.0
Margin (%)	-1.4	2.0	6.2	7.3	-53.3	-8.5	16.1	17.5	19.8

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	989	1,189	1,189	1,189	1,189	1,420	1,420	1,420	1,420
Total Reserves	24,188	40,622	42,291	42,379	35,295	69,202	77,619	87,912	1,00,951
<b>Net Worth</b>	<b>25,177</b>	<b>41,811</b>	<b>43,480</b>	<b>43,568</b>	<b>36,484</b>	<b>70,623</b>	<b>79,039</b>	<b>89,333</b>	<b>1,02,372</b>
Minority Interest	7,378	7,774	7,999	7,649	6,346	5,930	5,930	5,930	5,930
Total Loans	33,830	24,270	23,260	26,020	36,328	19,848	9,148	1,148	1,148
Lease Liability	0	0	0	18,987	18,464	18,604	18,604	18,604	18,604
Deferred Tax Liabilities	2,820	3,563	3,768	1,869	781	876	876	876	876
<b>Capital Employed</b>	<b>69,206</b>	<b>77,418</b>	<b>78,506</b>	<b>98,093</b>	<b>98,403</b>	<b>1,15,880</b>	<b>1,13,597</b>	<b>1,15,890</b>	<b>1,28,929</b>
Gross Block	57,923	63,356	69,051	73,316	81,772	85,655	91,201	94,811	98,533
Less: Accum. Deprn.	5,506	7,385	10,663	14,706	18,802	22,863	26,997	31,431	36,015
<b>Net Fixed Assets</b>	<b>52,417</b>	<b>55,971</b>	<b>58,388</b>	<b>58,610</b>	<b>62,970</b>	<b>62,792</b>	<b>64,204</b>	<b>63,380</b>	<b>62,518</b>
Goodwill on Consolidation	5,737	5,655	5,835	6,146	6,110	6,229	6,229	6,229	6,229
Right-of-Use assets				15,833	15,297	15,134	15,134	15,134	15,134
Capital WIP	2,227	1,970	1,162	2,441	1,650	1,933	1,387	2,777	2,055
<b>Total Investments</b>	<b>12,437</b>	<b>15,965</b>	<b>13,351</b>	<b>14,266</b>	<b>14,832</b>	<b>19,668</b>	<b>19,668</b>	<b>19,668</b>	<b>19,668</b>
Current Investment	908	3,305	2,112	4,362	4,486	9,025	9,025	9,025	9,025
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>13,173</b>	<b>14,184</b>	<b>17,102</b>	<b>17,887</b>	<b>14,269</b>	<b>25,139</b>	<b>26,368</b>	<b>29,941</b>	<b>46,519</b>
Inventory	804	857	804	936	929	1,008	1,201	1,325	1,414
Account Receivables	2,721	3,286	3,214	2,900	2,198	2,553	3,772	4,287	4,714
Cash and Bank Balance	2,471	2,703	2,409	3,156	1,536	11,878	10,494	12,593	27,485
Loans and Advances	7,177	7,338	10,675	10,895	9,605	9,700	10,900	11,736	12,906
<b>Curr. Liability &amp; Prov.</b>	<b>16,785</b>	<b>16,328</b>	<b>17,331</b>	<b>17,090</b>	<b>16,724</b>	<b>15,016</b>	<b>19,393</b>	<b>21,239</b>	<b>23,194</b>
Account Payables	3,370	3,513	3,253	3,893	3,178	3,873	4,477	4,939	5,269
Other Current Liabilities	11,305	10,349	11,579	10,441	10,921	8,233	11,474	13,040	14,340
Provisions	2,110	2,465	2,500	2,756	2,625	2,909	3,442	3,260	3,585
<b>Net Current Assets</b>	<b>-3,612</b>	<b>-2,143</b>	<b>-229</b>	<b>798</b>	<b>-2,456</b>	<b>10,123</b>	<b>6,975</b>	<b>8,702</b>	<b>23,325</b>
<b>Appl. of Funds</b>	<b>69,206</b>	<b>77,418</b>	<b>78,507</b>	<b>98,093</b>	<b>98,403</b>	<b>1,15,880</b>	<b>1,13,597</b>	<b>1,15,890</b>	<b>1,28,929</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>-0.4</b>	<b>0.6</b>	<b>2.0</b>	<b>2.3</b>	<b>-5.9</b>	<b>-1.8</b>	<b>6.5</b>	<b>8.0</b>	<b>10.0</b>
Cash EPS	1.7	2.7	4.3	5.1	-3.0	1.0	9.4	11.2	13.2
BV/Share	17.7	29.4	30.6	30.7	25.7	49.7	55.6	62.9	72.1
DPS	0.2	0.2	0.4	0.4	0.4	0.4	0.6	0.8	0.8
Payout (%)	-53.9	41.9	25.3	20.5	-9.6	-28.0	9.2	9.9	8.0
<b>Valuation (x)</b>									
P/E	-775.4	508.8	151.7	132.1	-50.9	-164.8	46.2	37.4	30.2
Cash P/E	175.1	111.0	70.1	58.7	-99.3	291.6	32.0	27.0	22.8
P/BV	17.0	10.2	9.8	9.8	11.7	6.1	5.4	4.8	4.2
EV/Sales	11.6	11.1	10.1	10.2	29.5	14.1	7.4	6.3	5.6
EV/EBITDA	76.3	67.7	54.8	46.9	-128.3	106.8	24.2	19.5	16.1
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.3
FCF per share	6.7	-0.1	1.4	1.7	-7.6	1.7	7.8	8.2	11.2
EV/ Adj Rooms (INR m)	49.3	46.4	45.5	44.0	45.0	41.3	39.6	38.0	35.3
EBITDA/ Room (INR)	4,129	4,341	5,193	5,974	-7,214	4,605	10,339	11,500	12,449
<b>Return Ratios (%)</b>									
RoE	-2.2	2.5	6.6	7.4	-21.0	-4.8	12.4	13.6	14.8
RoCE	3.8	4.6	5.9	6.8	-5.7	1.3	11.2	13.8	15.1
RoIC	-14.9	2.3	5.2	7.1	-7.9	0.0	12.0	14.4	17.6
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	0.7	0.6	0.7	0.6	0.2	0.4	0.6	0.7	0.7
Asset Turnover (x)	0.6	0.5	0.6	0.5	0.2	0.3	0.5	0.6	0.6
Inventory (Days)	7	8	7	8	22	12	8	7	7
Debtor (Days)	25	29	26	24	51	30	24	24	24
Creditor (Days)	31	31	26	32	74	46	28	28	27
<b>Leverage Ratio (x)</b>									
Current Ratio	0.8	0.9	1.0	1.0	0.9	1.7	1.4	1.4	2.0
Interest Cover Ratio	1.0	1.4	2.6	1.7	-1.9	0.0	5.6	8.3	12.2
Net Debt/Equity	1.2	0.4	0.4	0.4	0.8	0.0	-0.1	-0.2	-0.3

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	306	1,618	4,017	3,955	-10,095	-2,738	12,502	16,343	20,265
Depreciation	2,994	3,012	3,279	4,042	4,096	4,061	4,135	4,434	4,584
Interest & Finance Charges	3,015	2,073	1,068	2,087	2,381	2,725	873	454	-62
Direct Taxes Paid	-868	-1,425	-1,571	-448	1,553	358	-3,257	-4,903	-6,080
(Inc)/Dec in WC	-599	-1,033	323	-1,402	-2,722	2,155	1,765	371	269
<b>CF from Operations</b>	<b>4,848</b>	<b>4,246</b>	<b>7,115</b>	<b>8,235</b>	<b>-4,786</b>	<b>6,560</b>	<b>16,017</b>	<b>16,699</b>	<b>18,978</b>
Others	498	675	0	0	1,600	156	33	0	0
<b>CF from Operating incl EO</b>	<b>5,345</b>	<b>4,920</b>	<b>7,114</b>	<b>8,235</b>	<b>-3,187</b>	<b>6,716</b>	<b>16,051</b>	<b>16,699</b>	<b>18,978</b>
(Inc)/Dec in FA	4,193	-5,094	-5,067	-5,855	-7,629	-4,286	-5,000	-5,000	-3,000
<b>Free Cash Flow</b>	<b>9,538</b>	<b>-174</b>	<b>2,048</b>	<b>2,380</b>	<b>-10,816</b>	<b>2,431</b>	<b>11,051</b>	<b>11,699</b>	<b>15,978</b>
(Pur)/Sale of Investments	4,425	-1,462	2,614	-915	-566	-4,836	0	0	0
Others	496	912	-1,428	1,750	6,998	-7,303	1,498	1,565	1,721
<b>CF from Investments</b>	<b>9,114</b>	<b>-5,644</b>	<b>-3,882</b>	<b>-5,019</b>	<b>-1,197</b>	<b>-16,425</b>	<b>-3,502</b>	<b>-3,435</b>	<b>-1,279</b>
Issue of Shares	0	14,999	0	0	0	231	0	0	0
Inc/(Dec) in Debt	-11,719	-9,498	-1,010	2,760	10,308	-16,481	-10,700	-8,000	0
Interest Paid	-1,637	-4,089	-1,901	-3,411	-4,028	-4,277	-2,371	-2,019	-1,659
Dividend Paid	-458	-447	-725	-725	-693	-693	-852	-1,136	-1,136
Others	0	-7	110	-1,093	-2,823	41,270	-9	-10	-11
<b>CF from Fin. Activity</b>	<b>-13,814</b>	<b>957</b>	<b>-3,527</b>	<b>-2,470</b>	<b>2,764</b>	<b>20,050</b>	<b>-13,932</b>	<b>-11,165</b>	<b>-2,806</b>
<b>Inc/Dec of Cash</b>	<b>645</b>	<b>233</b>	<b>-294</b>	<b>746</b>	<b>-1,620</b>	<b>10,342</b>	<b>-1,384</b>	<b>2,098</b>	<b>14,892</b>
Opening Balance	1,826	2,471	2,704	2,409	3,156	1,536	11,878	10,494	12,593
<b>Closing Balance</b>	<b>2,471</b>	<b>2,704</b>	<b>2,409</b>	<b>3,156</b>	<b>1,536</b>	<b>11,878</b>	<b>10,494</b>	<b>12,593</b>	<b>27,485</b>

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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